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Labor Market Distortions in Côte d'Ivoire: Analyses of Employer-Employee Data from the Manufacturing Sector

Nicolai Kristensen and Dorte Verner

Abstract: This paper investigates the extent and nature of distortions in the labor market in the Republic of Côte d'Ivoire by using quantile regression analysis on employer-employee data from the manufacturing sector. We found that the labor markets in Côte d'Ivoire do not seem to be much distorted. Unions may influence employment through tenure but do not seem to influence wages directly except for vulnerable minorities that seem protected by unions. Establishment-size wage effects are pronounced and highest for white-collar workers. This may be explained by the efficiency wage theory, so that, even in the absence of unions, segmentation and inefficiencies will still be present as long as firms seek to retain their employees by paying wages above the market clearing level. The inefficiency arising from establishment-size wage effects can be mitigated by education. Furthermore, the premium to education is found highly significantly positive only for higher education, and not for basic education, indicating that educational policies should also focus on higher education.

Explaining Interest Rate Spreads in Ghana

Anthony Q.Q. Aboagye, S.K. Akoena, T.O. Antwi-Asare and A.F. Gockel

Abstract: The question of the optimal spread between bank lending rates and rates that banks pay on deposits, which is fair to bankers, depositors and borrowers, has dogged economies for some time. In Ghana, there is widespread perception that the spread is too wide. Bankers, on the other hand justify the spread on the basis of economic variables that affect them. This paper contributes to the literature by identifying, in the case of Ghana, the short-run response of the net interest margin of banks to changes in bank-specific, industry-specific and macroeconomic variables within the broad framework of Ho and Saunders (1981). We find that increases in the following factors significantly increase net interest margin — bank market power (or concentration), bank size, staff costs, administrative costs, extent of bank risk aversion and the rate of inflation. On the other hand, increases in the following variables decrease net interest margin significantly — bank excess cash reserves, the central bank lending rate, management efficiency and the passage of time. To help reduce interest rate margins, we recommend that banks should not get too big, the central bank should consider lowering the capital adequacy ratio and banks should be required to pass on to borrowers the full extent of reductions or increases in the central bank lending rate. Continued efforts at keeping inflation at bay will also help.

Political Transition in DRC: How Did Kinshasa Households Fare?

Tom De Herdt, Wim Marivoet and Stefaan Marysse

Abstract: Officially announced on 24 April 1990, the political transition in the Democratic Republic of Congo (DRC) would eventually culminate in presidential elections. By comparing the results of two household surveys, conducted in 1986 and 2004 respectively, we are able to trace the economic reflection of this process in the standard of living of the Kinois (the inhabitants of Congo's capital, Kinshasa). Although the exercise is fraught with methodological problems, it nevertheless generates some salient outcomes. First and foremost, the available evidence unanimously points to a slight increase in the general standard of living, thereby contradicting the official macro-data. Further, given an increase in inequality, it is well possible that the period of transition was experienced increasingly unequally by different population groups. Third, one of the most significant changes observed is that Kinshasa has become more closely connected with world (food) markets. Meanwhile, the level of education of the principal income earner remains one of the main predictors of the level of household consumption, even in a thoroughly informalized economy.

Economic Liberalization and Conditional Volatility of Exchange Rate in Sub-Saharan Africa: Asymmetric GARCH Analysis

Boaz Nandwa and Samuel K. Andoh

Abstract: For small open economies, an understanding of movements in the exchange rate is imperative in analyzing trade and capital flows. In addition, reliable forecasting of exchange rate volatility is important in risk-taking assessment and investment decision-making, both of which are critical to long-term growth. Using an asymmetric GARCH-type approach, this paper examines the implications of economic liberalization on the stochastic behavior of the exchange rate series in a sample of sub-Sahara African (SSA) countries over the 1970–2004 period. The results indicate that exchange rate volatility is variable, and is less volatile under fixed exchange rate regime (pre-economic liberalization) and higher under flexible regime (post-economic liberalization), that is, it is asymmetric. For most of the countries, the EGARCH and TGARCH models are robust to parameter stability and gives better forecasting performance compared to the standard GARCH model.

How Does Foreign Direct Investment Affect the Export Decisions of Firms in Ghana?

Joshua Abor, Charles K. D. Adjasi and Mac-Clara Hayford

Abstract: Foreign direct investment (FDI) has been identified to promote exports of host countries by augmenting domestic capital for exports, helping to transfer technology and new products for exports, facilitating access to new and large foreign markets, providing training for the local workforce, and upgrading technical and management skills. However, little is known on the role of FDI in the export behaviour of firms in developing countries. The main questions raised in this study are: how does FDI affect the export decisions of firms? How does FDI affect export performance of firms? This study examined the export-decision and export performance within the Ghanaian manufacturing sector on a panel of plants from 1991 to 2002. Using a probit model, the results show that FDI has a positive effect on firms' decision to export. The random effect results also reveal a positive relationship between FDI and export performance. Clearly, the results of this study indicate that FDI is very relevant in influencing the export decisions and export performance of Ghanaian firms. The findings have significant implications for policy in terms of promoting initiatives to encourage more FDI inflows in the country.

Public Expenditure, Growth and Poverty Reduction in Rural Uganda

Shenggen Fan and Xiaobo Zhang

Abstract: Using district-level data for 1992, 1995, and 1999, the study estimated effects of different types of government expenditure on agricultural growth and rural poverty in Uganda. The results reveal that government spending on agricultural research and extension improved agricultural production substantially. This type of expenditure had the largest measured returns to growth in agricultural production. Agricultural research and extension spending also had the largest assessed impact on poverty reduction. Government spending on rural roads also had a substantial marginal impact on rural poverty reduction. The impact of low-grade roads such as feeder roads is larger than that of high-grade roads such as murram and tarmac roads. Education's effects rank after agricultural research and extension, and roads. Government spending in health did not show a large impact on growth in agricultural productivity or a reduction in rural poverty. Additional investments in the northern region (a poor region) contribute the most to reducing poverty. However, it is the western region (a relatively well-developed region) where most types of investment have highest returns in terms of increased

agricultural productivity.

Price Transmission and Market Integration in Oyo State, Nigeria

M.O. Oladapo and S. Momoh

Abstract: The paper tests the market integration of the main staple agricultural commodities in Oyo State. Monthly prices in N/kg covering a period of 8 years (1994–2001) were obtained from Oyo State Agricultural Development Programme (OYSADP) and analysed using the Ravallion Model. The study also calculated the Indices of Market Concentration (IMC) to measure the degree of spatial market integration. The IMCs for cassava, yam, white maize and yellow maize were 0.3074, 0.0814, 0.02712 and 0.1648 respectively. The IMCs imply high short-run market integration between the reference and rural markets. The market integration indices confirm that price changes in the urban markets (Bodija and Ilora) translated to changes in the price of cassava, yam, maize, yellow maize in rural markets (Akanran, Towobowo, Anko, Irepodun, Oje, Kajola, Akala and Aberu). It is concluded that agricultural commodity arbitrage is working. The degree of market integration can be enhanced by the provision of not only transport infrastructure but by provision of adequate formal marketing information and standardization of weights and measures in the system.

Productivity Change of Nigerian Insurance Companies: 1994–2005

Carlos Pestana Barros, Ade Ibiwoye and Shunsuke Managi

Abstract: The aim of this paper is to estimate the productivity change of Nigerian insurance companies and to rank the companies analysed in the sample according to their productivity score. This benchmark exercise provides the companies analysed with a view of how their relative productivity can be upgraded. For this purpose, the non-parametric Luenberger productivity model is used. For comparative purposes, the non-parametric Luenberger–Hicks–Moorsteen productivity indicator is also used. The companies are ranked according to their total productivity for the period 1994–2005, using both models, which produce variations in the respective results. Economic implications arising from the study are derived.

Openness and the Effects of Fiscal and Monetary Policy Shocks on Real Output in Nigeria (1960–2003)

M.O. Saibu and S.I. Oladeji

Abstract: This study investigates the effects of monetary and fiscal policies on the real output growth in a small open economy. It is a country-specific, time series study that verifies the implication of increasing economic openness on the efficacy of monetary and fiscal policy. A modified GARCH model was used to estimate the anticipated and unanticipated shocks. Two measures of fiscal and monetary shocks were combined with openness and real oil price shocks in a VECM model to assess the effects of anticipated and unanticipated policy shocks on the output equations. The empirical results showed that anticipated and unanticipated fiscal and monetary shocks had no significant positive effects on real output. This suggests that the open macroeconomic version of the policy ineffectiveness proposition was valid for both monetary and fiscal policy shocks in Nigeria. This is in consonance with earlier works in this area. Furthermore, the degree of openness and oil price shocks had a negative implication on the efficacy of macroeconomic policy in Nigeria; also in agreement with the Dutch Disease Syndrome. Finally, the policy implication of this study therefore is that trade liberalization policy should be implemented cautiously. The Nigerian economy is weak to withstand the unwholesome consequences of full economic integration.

Financial Liberalization Policies and Economic Growth: Panel Data Evidence from Sub-Saharan Africa

Babajide Fowowe

Abstract: The paper conducts an empirical investigation into the effects of financial liberalization policies on the growth of 19 countries in sub-Saharan Africa (SSA). Two indexes are constructed which measure the gradual progression and institutional changes involved in financial liberalization. Because these indexes track specific financial liberalization policies, they provide better measures of financial liberalization than the indicators of financial development often used in the literature. Panel data estimates show a significant positive relationship between economic growth and financial liberalization policies. Our results are robust to alternative specifications of the model, and also across slow- and fast-growing countries.
